

AYRSHIRE HOUSING
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH, 2006

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AYRSHIRE HOUSING
ADVISORS AND REGISTERED OFFICE
FOR THE PERIOD ENDED 31ST MARCH, 2006.

Auditors

Armstrongs, Chartered Accountants
142 West Nile Street
Glasgow, G1 2RQ

Bankers

The Royal Bank of Scotland plc
300 Bath Street
Glasgow, G2 4RS

Legal advisors

Henderson Boyd Jackson
19 Canning Street
Edinburgh, EH3 8EU

Drummond Miller
65 Bath Street
Glasgow, G2 2DD

Registered Office

119 Main Street
Ayr, KA8 8BX

Registration Particulars

Communities Scotland Registration Number : 304

Charity Number : SC027906

AYRSHIRE HOUSING
REPORT OF THE TRUSTEES
FOR THE PERIOD ENDED 31ST MARCH, 2006.

The Trustees present their report and the audited financial statements for the period ended 31st March, 2006.

Principal Activities

Ayrshire Housing is a company limited by guarantee and is governed by its Memorandum and Articles of Association. Accordingly the Company has no share capital. It is a registered charity and is registered with Communities Scotland as a Registered Social Landlord. The Company's principle activities are the provision, construction, improvement and management of rented and shared ownership accommodation.

Review of the Period

The financial results for the period are set out in the income and expenditure account. The surplus for the period is £552,631 (2005 - £395,101) and this will be transferred to our reserves as part of our overall risk management strategy. During the year 25 new homes for rent were brought into management via our continuing development programme and our involvement with the national Mortgage to Rent Scheme.

Changes in Fixed Assets

Details of changes in fixed assets are set out in Notes 7-8.

The Trustees and Executive Officer

The Trustees and Executive Officer of the Company are as follows:-

Executive Officer

. J. Whiston

Trustees

. J. Ledgerwood (Chairperson)(Appointed 28.09.05)	. G. McDines	(Appointed 28.09.05)
. G. Muir	. S. Douglas	(Appointed 28.09.05)
. C. Rodie	. M. Graham	(Appointed 28.09.05)
. C. Donnelly	. J. Scott	(Appointed 28.09.05)
. Cllr J. McDowall	. C. Williams	(Resigned 01.05.05)
. Cllr W. Sloan	. W. Russell	(Resigned 28.09.05)
. P. Boyd	. Cllr G. McKenzie	(Resigned 25.01.06)
. J. McKerchar	. L. Aird	(Resigned 28.09.05)
. G. McGeechan (Reappointed 28.09.05)	. B. Bryan	(Resigned 28.09.05)
. N. Larkin (Appointed 25.01.06)	. M. Scott	(Resigned 28.09.05)
. Cllr A. Spurling (Appointed 25.01.06)	. A. Robinson	(Resigned 10.05.05)

REPORT OF THE TRUSTEES

FOR THE PERIOD ENDED 31ST MARCH, 2006/Cont...

Insurance

The Company has purchased insurance against liabilities in relation to the Company arising from the actions of Trustees and other officers of the Company.

Statement of Trustees' Responsibilities

The Trustees are responsible for the Company's system of internal financial control which is designed to provide reasonable, but not absolute, assurance regarding:-

- . the safeguarding of assets against unauthorised use or disposition;
- . the maintenance of proper accounting records;
- . the reliability of financial information used within the business or for publication.

Key procedures that have been established, and are designed to provide effective internal financial control, are:-

Control environment – the Company has an organisational structure with clearly defined lines of responsibility, job descriptions and delegation of authority. These are set out in accordance with the Company's Standing Orders and Policy and Procedure Manuals. The Company has complied with the Communities Scotland Code of Audit Practice (SHGN 97/06).

Information systems – the Company has a comprehensive system of financial reporting. The annual budget and thirty year projections are approved by the Trustees. Quarterly actual results are reported against budget and any significant adverse variances are examined by management and remedial action taken. There are quarterly and thirty year cashflow projections and revised budget forecasts are considered as at 30th September each year.

Control procedures – policies and procedures are maintained for all areas of operations. In particular, there are clearly defined policies for development projects and capital expenditure. Large or unusual capital expenditure projects require Trustees' approval.

The Trustees are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and to enable it to ensure that the financial statements comply with the requirements of the Industrial and Provident Societies Acts 1965-2002, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999. It is also responsible for safeguarding the assets of the Trust and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Related Party Transactions

Some of the members of the Trustees are tenants. Their tenancies are on the Company's normal tenancy terms, and they cannot use their position to their advantage.

Corporate Governance

The Company has complied throughout the accounting period with the Code of Best Practice published by the Cadbury Trustees in 1992 on the Financial Aspects of Corporate Governance.

In accordance with the requirements of Communities Scotland, the auditors have confirmed that they consider this statement appropriately reflects the Company's compliance with those paragraphs of the Code of Best Practice required to be revised by them. The auditors have also confirmed that, in their opinion, with regard to the Trustees' Statement on Internal Financial Control on page five the Trustees have provided the disclosures required by Paragraph 4.5 of the Code of Best Practice as supplemented by the related guidance for Trustees and such a statement is not inconsistent with the information of which they are aware from their audit work on the financial statements.

Statement as to Disclosure of Information to Auditors

So far as the Trustees are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Company's auditors are unaware, and each Trustee has taken all the steps that he or she ought to have taken as a Trustee in order to make himself or herself aware of any relevant audit information and to establish the the Company's auditors are aware of that information.

REPORT OF THE TRUSTEES
FOR THE PERIOD ENDED 31ST MARCH, 2006/Cont...

Auditors

A resolution to appoint the auditors, Messrs. Armstrongs, will be proposed at the Annual General Meeting.

By order of the Board

Secretary

Dated :

AYRSHIRE HOUSING

**TRUSTEES STATEMENT ON THE COMPANY'S
SYSTEM OF INTERNAL FINANCIAL CONTROL
FOR THE PERIOD ENDED 31ST MARCH, 2006**

The Trustees acknowledge their ultimate responsibility for ensuring that the Company has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- . The reliability of financial information used within the Company or for publication;
- . The maintenance of proper accounting records;
- . The safeguarding of assets (against unauthorised use or disposition).

It is the Trustees' responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements include ensuring that:

- . Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Company's assets;
- . Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- . Forecasts and budgets are prepared regularly which allow the Trustees and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term;
- . Regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate;
- . All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Trustee members and others;
- . The Trustees review reports from management, from directors, staff and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Company;
- . Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Trustees have reviewed the effectiveness of the system of internal financial control in existence in the Company for the year ended 31st March 2006 and until the below date. No weaknesses were found in internal financial controls, which resulted in material losses, contingencies, or uncertainties, which require disclosure in the financial statements or in the Auditor's Report on the financial statements.

By order of the Board

Secretary

Dated :

AYRSHIRE HOUSING
REPORT OF THE AUDITORS ON THE TRUSTEES
STATEMENT ON THE COMPANY'S SYSTEM OF INTERNAL FINANCIAL CONTROL
FOR THE PERIOD ENDED 31ST MARCH, 2006

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Trustees' statement on page three concerning the Company's compliance with the information required by the section on internal financial control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to the Bulletin "Disclosures Relating to Corporate Governance" issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Company's procedures for ensuring compliance with the Guidance Notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the statement on internal financial control on page three has provided the disclosures required by the section on internal financial control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Through enquiry of certain Trustee members, directors and officers of the Company, and examination of relevant documents, we have satisfied ourselves that the Trustees' Statement on Internal Financial Control appropriately reflects the Company's compliance with the information required by the section on internal financial control within SFHA's publication "Raising Standards in Housing".

Armstrongs,
Registered Auditors,
Chartered Accountants,
Victoria Chambers,
142, West Nile Street,
Glasgow.
G1 2RQ.

Dated :

**REPORT OF THE INDEPENDENT AUDITORS TO
THE MEMBERS OF AYRSHIRE HOUSING**

We have audited the financial statements on pages eight to twenty two, which have been prepared under the historical cost convention and the accounting policies set out in page thirteen.

This report is made solely to the Company's members, as a body, in accordance with Industrial and Provident Societies Act 1965. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The Trustees' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Trustees' responsibilities on page three.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained if the Company has not kept proper accounting records, or if we have not received all the information and explanation we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read the information contained in the Report of the Trustees and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Company's affairs as at 31st March 2006 and of its deficit for the year then ended;
and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999.

Armstrongs,
Registered Auditors,
Chartered Accountants,
Victoria Chambers,
142, West Nile Street,
Glasgow.
G1 2RQ.

Dated :

AYRSHIRE HOUSING
INCOME AND EXPENDITURE ACCOUNT
FOR THE PERIOD ENDED 31ST MARCH, 2006

	Notes	2006 £	2005 £
Turnover	2	3,073,238	2,806,556
Operating Costs	2	(1,877,966)	(1,511,347)
Operating Surplus	2	1,195,272	1,295,209
Gain on Disposal of Housing Property	4	251,639	272,092
Interest Receivable and Other Income	7	81,775	93,548
Interest Payable and Similar Charges	8	(976,055)	(865,748)
Surplus on ordinary activities before taxation		<u>552,631</u>	<u>795,101</u>
Taxation on Surplus on ordinary activities	10	-	-
Surplus on ordinary activities after taxation		<u><u>552,631</u></u>	<u><u>795,101</u></u>

The results for the period relate wholly to continuing activities.

AYRSHIRE HOUSING
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31ST MARCH, 2006

	2006	2005
	£	£
Surplus/(Deficit) for the year	<u>552,631</u>	<u>795,101</u>

AYRSHIRE HOUSING
NOTE OF HISTORICAL SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31ST MARCH 2006

	2006	2005
	£	£
Reported surplus/(deficit) on ordinary activities before taxation	552,631	795,101
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	46,433	38,412
Realisation of property revaluation gains of previous years	27,504	29,740
Historical cost surplus/(deficit) on ordinary activities before taxation	<u>626,568</u>	<u>863,253</u>
Historical cost surplus/(deficit) on ordinary activities after taxation	<u>626,568</u>	<u>863,253</u>

AYRSHIRE HOUSING
BALANCE SHEET
AS AT 31ST MARCH, 2006

	Notes	2006 £	2005 £
Tangible Fixed Assets			
Housing Properties (net of depreciation)	11	24,572,520	22,982,583
Other	12	350,606	384,586
		<u>24,923,126</u>	<u>23,367,169</u>
Current Assets			
Investments	13	1	1
Debtors	14	1,003,065	840,162
Cash at Bank and in Hand		<u>2,463,984</u>	<u>2,116,230</u>
		3,467,050	2,956,393
Creditors : amounts falling due within one year	15	3,127,596	3,375,036
Net Current Assets/(Liabilities)		<u>339,454</u>	<u>(418,643)</u>
Total Assets less Current Liabilities		25,262,580	22,948,526
Creditors : amounts falling due after more than one year	16	(17,689,570)	(15,928,147)
Net Assets		<u><u>7,573,010</u></u>	<u><u>7,020,379</u></u>
Capital and Reserves			
Designated Reserve	17	400,000	400,000
Revaluation Reserves	18	3,616,207	3,690,144
Revenue Reserve	20	<u>3,556,803</u>	<u>2,930,235</u>
		<u>7,573,010</u>	<u>7,020,379</u>

These financial statements were approved by the Trustees on

and signed on their behalf by:

..... Chairperson

..... Trustee

..... Secretary

AYRSHIRE HOUSING
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2006

	2006	2005
	£	£
Net Cash inflow from operating activities	<u>1,832,071</u>	<u>1,807,841</u>
Returns on investments and servicing of Finance		
Interest Received	81,775	93,548
Interest Paid	(976,055)	(865,748)
	<u>(894,280)</u>	<u>(772,200)</u>
Capital Expenditure and Financial Investment		
Payments to acquire and develop housing properties	(6,499,570)	(7,498,000)
Payments to acquire other fixed assets	(25,058)	(64,308)
Grants Received	4,343,145	4,641,065
Proceeds of disposal of housing property	423,900	617,725
	<u>(1,757,583)</u>	<u>(2,303,518)</u>
Net cash inflow (outflow) before financing	<u>(819,792)</u>	<u>(1,267,877)</u>
Financing		
Loans - Received	2,250,093	1,024,853
- Repaid	(472,189)	(320,476)
	<u>1,777,904</u>	<u>704,377</u>
Increase/(Decrease) in cash	<u>958,112</u>	<u>(563,500)</u>
Reconciliation of net cash flow to movement in net debt		
Increase/(Decrease) in cash in the year	958,112	(563,500)
Cash inflow/(outflow) from increase/(decrease) in loan finance	(1,777,904)	(704,377)
	(819,792)	(1,267,877)
Decrease/(Increase) in net debt resulting from cash flow	(819,792)	(1,267,877)
Net debt at 01.04.05	(16,116,933)	(14,849,056)
Net debt at 31.03.06	<u>(16,936,725)</u>	<u>(16,116,933)</u>

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2006**

	2006	2005	
	£	£	
1. Reconciliation of surplus for the year to net cashflow from operating activities			
Operating Surplus	1,195,272	1,295,209	
Depreciation	389,038	381,641	
(Increase)/Decrease in Debtors	113,404	272,400	
Increase/(Decrease) in Creditors	<u>134,357</u>	<u>(141,409)</u>	
	<u>1,832,071</u>	<u>1,807,841</u>	
 2. Analysis of changes in net debt			
	2006	Cash Flow	2005
	£	£	£
Cash in hand and at bank	2,463,984	347,754	2,116,230
Development Overdraft	(1,184,000)	610,358	(1,794,358)
Debt due after one Year	(527,139)	(16,481)	(510,658)
Debt due within one Year	<u>(17,689,570)</u>	<u>(1,761,423)</u>	<u>(15,928,147)</u>
	<u>(16,936,725)</u>	<u>(819,792)</u>	<u>(16,116,933)</u>
	2005	Cash Flow	2004
	£	£	£
Cash in hand and at bank	2,116,230	(243,024)	2,359,254
Development Overdraft	(1,794,358)	(320,476)	(1,473,882)
Debt due after one Year	(510,658)	(10,977)	(499,681)
Debt due within one Year	<u>(15,928,147)</u>	<u>(693,400)</u>	<u>(15,234,747)</u>
	<u>(16,116,933)</u>	<u>(1,267,877)</u>	<u>(14,849,056)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH, 2006

1. Principal Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting for Registered Social Landlords (update 2002), and on the historical cost basis as modified by revaluation of housing property on the transfer of engagement. No adjustments have been made in the accounts to reflect the effects of other inflationary factors. A summary of the more important accounting policies is set out below.

Turnover

Turnover relates to the income from letting of properties at affordable rents, and the supply of feuing services, together with revenue grants from Communities Scotland, local authorities and other organisations.

Sale of Housing Properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost or the fair value of assets transferred on the transfer of engagements less accumulated depreciation. Depreciation is charged on a straight line basis to write off the cost less any estimated residual value over the expected economic useful lives of the assets.

Housing Properties	- 2% straight line
Freehold Property	- 2% straight line
Furniture and Equipment	- 20% straight line
IT Systems	- 20% straight line
Let properties – Furniture	- 20% straight line

Housing properties are developed or modernised and maintained to such a standard that they are expected to have a remaining useful economic life of fifty years. Therefore all properties (excluding land) at 1st April 2000 have been depreciated from that point forward. Depreciation on assets acquired during the year is apportioned over the period the assets were put to use. Depreciation on assets disposed of during the year is charged up to the date of disposal.

Work to Existing Housing Properties

Expenditure on improvements to existing property, which adds to the value of the property or extends its useful life, is capitalised as part of the cost of the property. All other maintenance expenditure is written off the income and expenditure account in the year in which it is incurred.

Pension Costs

Pension contributions are charged to the income and expenditure account on a systematic basis so as to spread the cost of pensions over the estimated remaining working lives of employees.

Leases

Assets held under operating leases are not capitalised. The lease rentals are expensed to the income and expenditure account in the year in which they are incurred.

Grants

The Company has received grants from Communities Scotland and South Ayrshire Council.

Capitalisation of Interest

Interest incurred on the financing of a development is capitalised up to the date of completion of the scheme.

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH, 2006/Cont...

3. Particulars of Income and Expenditure from Lettings

	Housing Accomm. £	Shared Ownership £	Total 2006 £	2005 £
Income from Lettings				
Rent Receivable net of Identifiable Serv Chrgs	2,880,866	35,724	2,916,590	2,669,151
Service Charges receivable	<u>141,127</u>	-	<u>141,127</u>	<u>129,056</u>
Gross Rents Receivable	3,021,993	35,724	3,057,717	2,798,207
Less: Rent Losses from Voids	(31,338)	-	(31,338)	(15,606)
Total Income from Lettings	<u>2,990,655</u>	<u>35,724</u>	<u>3,026,379</u>	<u>2,782,601</u>
Expenditure on Letting Activities				
Management	479,027	8,241	487,268	659,502
Routine Repairs and Maintenance	714,660	-	714,660	370,026
Rent Losses from Bad Debts	91,895	-	91,895	27,368
Annual and Cyclical Maintenance	182,238	-	182,238	80,835
Environmental Costs	70,652	-	70,652	44,316
Depreciation on Housing Properties	330,000	-	330,000	327,615
Adjudication Costs	1,253	-	1,253	1,685
Total Expenditure on Lettings	<u>1,869,725</u>	<u>8,241</u>	<u>1,877,966</u>	<u>1,511,347</u>
Operating Surplus on Letting Activities	<u>1,120,930</u>	<u>27,483</u>	<u>1,148,413</u>	<u>1,271,254</u>

The amount of service charges receivable on housing accommodation not eligible for housing benefit is £Nil.

4. Profit on Disposal of Fixed Assets

	2006 £	2005 £
Proceeds from sale of fixed assets	<u>444,968</u>	<u>630,818</u>
Less: Cost of Sales		
Value of Property	177,555	361,615
HAG Received	(14,414)	(51,096)
Accumulated Depreciation	(5,294)	(15,982)
HAG Repayable	14,414	51,096
Legal and Valuation Costs	<u>21,068</u>	<u>13,093</u>
	<u>193,329</u>	<u>358,726</u>
	<u>251,639</u>	<u>272,092</u>

5. Directors Emoluments

The directors are defined as the members of the Trustees, the Chief Executive Officer and any other person reporting directly to the directors or the Trustees whose total emoluments exceed £40,000 per year.

	2006 £	2005 £
Total Emoluments (including pension contributions and benefits in kind)	<u>141,479</u>	<u>43,364</u>
Total Emoluments (excluding pension contributions) to the highest paid director amounted to	<u>46,889</u>	<u>38,398</u>

Total expenses reimbursed to the Committee in so far as not chargeable to United Kingdom income tax

1,142

1,340

None of the Trustees received any remuneration during the year.

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AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH, 2006/Cont...

	2006 £	2005 £
6. Employee Information		
The average weekly number of persons (excluding Executive Trustees) employed during the period was :-	<u>18</u>	<u>17</u>
Wages and Salaries	443,786	399,579
Social Security Costs	35,625	35,706
Pension Contributions	<u>59,375</u>	<u>47,413</u>
	<u>538,786</u>	<u>482,698</u>
7. Interest Receivable and Other Income		
Bank Interest Receivable	<u>81,775</u>	<u>93,548</u>
8. Interest Payable and Similar Charges		
Bank Interest	-	-
Loan Interest	<u>1,108,842</u>	<u>942,625</u>
Interest Capitalised on Housing Properties	1,108,842 (132,787)	942,625 (76,877)
	<u>976,055</u>	<u>865,748</u>
9. Operating Surplus		
Operating surplus is stated after charging/(crediting):-		
Depreciation - Property	330,000	327,615
- Other Assets	59,038	54,026
Auditor's Remuneration	5,904	5,581
Leasing	7,783	11,436
Gain on Disposal of Properties	(251,639)	(272,092)
Bad Debts	<u>91,895</u>	<u>27,368</u>
10. Taxation		

The organisation was granted charitable status on 5th May 1998 and as such is no longer subject to taxation.

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH, 2006/Cont...

11. Tangible Fixed Assets - Housing Properties

	Heritable Housing Prop. Held For Letting £	Rented Accommod. Under Construction £	Shared Ownership Held For Letting £	Total £
Cost/Valuation				
At 01.04.05	26,336,645	6,215,724	751,967	33,304,336
Additions	455,119	6,292,853	-	6,747,972
Disposals	(162,929)	-	(14,626)	(177,555)
Transfers	1,848,395	(1,848,395)	-	-
At 31.03.06	<u>28,477,230</u>	<u>10,660,182</u>	<u>737,341</u>	<u>39,874,753</u>
Grants				
At 01.04.05	4,028,540	5,149,377	567,191	9,745,108
Received	-	4,504,034	-	4,504,034
Repaid	-	-	(14,414)	(14,414)
Transfers	1,058,861	(1,058,861)	-	-
At 31.03.06	<u>5,087,401</u>	<u>8,594,550</u>	<u>552,777</u>	<u>14,234,728</u>
Other Grants				
At 01.04.05	259,642	-	-	259,642
Received	166,154	-	-	166,154
At 31.03.06	<u>425,796</u>	<u>-</u>	<u>-</u>	<u>425,796</u>
Depreciation				
At 01.04.05	312,563	-	4,440	317,003
Charge for Year	330,000	-	-	330,000
Disposals	(4,710)	-	(584)	(5,294)
At 31.03.06	<u>637,853</u>	<u>-</u>	<u>3,856</u>	<u>641,709</u>
Net book value at 31.03.06	<u>22,191,014</u>	<u>2,200,798</u>	<u>180,708</u>	<u>24,572,520</u>
Net book value at 31.03.05	<u>21,735,900</u>	<u>1,066,347</u>	<u>180,336</u>	<u>22,982,583</u>

Development Administration cost capitalised amounted to £99,280 (2005 - £64,033) for which grants of £135,166 (2005 - £30,942) were received in the year. Interest capitalised in the year amounted to £132,787 (2005 - £76,877).

Housing properties were revalued on the basis of existing use for social housing on 4th May 2005 for the properties formerly held by South Ayrshire Homes and on 2nd June 2005 for the properties formerly held by Carrick Housing Association Limited. The valuations were carried out by DTZ Pieda Consulting on the dates as stated.

	2006	2005
Cost of Properties	56,811,096	50,212,330
Less: Social Housing and Other Grants	<u>34,632,922</u>	<u>29,962,374</u>
	22,178,174	20,249,956
Less: Depreciation	(1,067,654)	1,025,670
	<u>21,110,520</u>	<u>19,224,286</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2006/Cont...

12. **Tangible Fixed Assets - Other Fixed Assets**

	Office Premises £	Fixtures and Fittings £	Computer Equipment £	Let Properties Furniture & Fittings £	Total £
Cost					
As at 01.04.05	246,513	91,695	101,722	117,302	557,232
Additions	-	405	11,075	13,578	25,058
As at 31.03.06	<u>246,513</u>	<u>92,100</u>	<u>112,797</u>	<u>130,880</u>	<u>582,290</u>
Depreciation					
As at 01.04.05	9,846	65,390	43,531	53,879	172,646
Charge for Year	4,930	8,822	19,110	26,176	59,038
As at 31.03.06	<u>14,776</u>	<u>74,212</u>	<u>62,641</u>	<u>80,055</u>	<u>231,684</u>
Net Book Value as at 31.03.06	<u>231,737</u>	<u>17,888</u>	<u>50,156</u>	<u>50,825</u>	<u>350,606</u>
Net Book Value as at 01.04.05	<u>236,667</u>	<u>26,305</u>	<u>58,191</u>	<u>63,423</u>	<u>384,586</u>

13. **Investment**

Ayrshire Housing holds the one issued share of Ayrshire Initiatives Limited, a company registered in Scotland.

The principal activity of Ayrshire Initiatives Limited is the provision of services to existing and emergency public service, voluntary and not for profit organisations.

	2006 £	2005 £
14. Debtors		
Rental Debtors	200,481	283,812
Provision for Doubtful Debts	(10,000)	(10,000)
Connected Undertaking	158,852	139,024
Other Debtors	653,732	427,326
	<u>1,003,065</u>	<u>840,162</u>
15. Creditors due within one year		
Housing Loans	527,139	510,658
Trade Creditors	60,101	44,424
Development Creditors	848,317	819,081
Other Creditors	238,728	51,096
Accruals	121,108	21,692
Development Overdrafts	1,184,000	1,794,358
Prepaid Rents	148,203	133,727
	<u>3,127,596</u>	<u>3,375,036</u>

Creditors due within one year include development guarantees totalling £1,184,000 (2005 - £1,794,358) for which agreement in principal has been received for conversion into long term finance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH, 2006/Cont...

	2006	2005
	£	£
16. Creditors due after more than one year		
Loans	<u>17,689,570</u>	<u>15,928,147</u>

Loans are secured by specific charges on the Company's properties and are repayable at rates of interest ranging from 4.95% to 6.39% (2005 – 4.75% to 6.39%) which will mature over a period of 18 to 30 years as follows:-

	2006	2005
	£	£
Between one and two years	541,728	539,540
Between two and five years	1,654,495	1,691,237
In five years or more	<u>15,493,347</u>	<u>13,697,370</u>
	<u><u>17,689,570</u></u>	<u><u>15,928,147</u></u>

17. Designated Reserves

	Major Repair Reserve	
	£	
Balance at 01.04.05	400,000	
Transfers from Income & Expenditure Account	-	
Balance at 31.03.06	<u><u>400,000</u></u>	

18. Revaluation Reserve

	2006	2005
	£	£
Balance at 15.04.05	3,690,144	3,758,296
Transfer on Disposal of Properties	27,504	29,740
Depreciation Adjustment	46,433	38,412
Balance at 31.03.06	<u><u>3,616,207</u></u>	<u><u>3,690,144</u></u>

19. Pensions

The Company is a member of two pension funds in order to provide benefits for its employees.

Firstly, the Company is a member of the Strathclyde Pension Fund which is a defined benefit pension scheme providing benefits to participating employees based on final pensionable salary. Contributions to the fund are determined by the scheme's actuary using the projected unit method and are charged to the income and expenditure account so as to spread the cost of pensions over the expected remaining service lives of the employees and trustees.

It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme hence the contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus/(deficit) for the period in the income and expenditure account being equal to the contributions payable to the scheme of the period.

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH, 2006/Cont...

19. Pensions/Cont...

The fund is actuarially valued by a qualified actuary on a triennial basis with the most recent valuation being at 31st March 2003. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments, the rates of increase in salaries and pensions and dividend growth. It was assumed that salary increases would average 4.1% per annum, that present and future pensions would increase at the rate of 2.6% per annum. At valuation date the market value of the scheme was £6,050m and the value of the past services liabilities was £5,593.6m leaving a surplus of assets of £456.4m. The assets therefore were sufficient to cover 108% of the benefits which had accrued to members after allowing for expected future increases in earnings. The actuary recommended future employer contributions for the year to 31st March 2004 of 13.8% of total pensionable pay, with contributions to be increased to 14.4% and 15.0% respectively for years to 31st March 2004 and 2005. Employees' contributions are 6% of total pensionable pay.

Surpluses/(deficits) which arise at future valuations may impact on the institutions future contribution commitment. The next formal actuarial valuation is due at 31st March 2004.

The total pension cost for the Company was £15,375 (2005 - £11,404). The contribution rate payable by the Company was 13.8% of pensionable salary.

Secondly, the Company participates in the SFHA Pension Scheme. SFHA is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

The Trustee commissions an actuarial valuation of the scheme every three years. The main purpose of the valuation is to determine the financial position of the scheme in order to determine the level of future contributions required so that the scheme can meet its pension obligations as they fall due. The actuarial valuation assesses whether the scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The last formal valuation of the scheme was performed as at 30th September 2003 by a professionally qualified actuary using the "projected unit credit" method. The market value of the scheme's assets at the valuation date was £143million. The valuation revealed a shortfall of assets compared to liabilities of £37million.

During the accounting period the Company paid contributions at the rate of 14%. Member contributions were 7%.

As at the balance sheet date there were 13 active members of the scheme employed by the Company. The Company continues to offer membership of the scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Due to the nature of the scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The financial assumptions underlying the valuation as at 30th September 2002 were as follows:

- | | |
|--|--|
| a. rate of investment return pre retirement | - 7.80% per annum; |
| b. rate of investment return post retirement | - 5.2% per annum; |
| c. rate of salary increases | - 4.0% per annum; |
| d. rate of pension increases | - Leavers before 1.10.93 - 5% per annum
- all other members - 2.5% per annum. |
| e. rate of price inflation | - 2.5% per annum; |

/Cont...

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH, 2006/Cont...

19. Pensions/Cont...

The valuation revealed a shortfall of assets compared with the value of liabilities of £37million (equivalent to a past service funding level of 80%). The employer’s ongoing future service contribution rate, after allowing for changes in benefits, was assessed as 9.3% of pensionable salaries. Following consideration of the results of the actuarial valuation it was agreed that with effect from 1st April 2005 the standard employer contribution rate would be increased from 12.2% to 14.0% of pensionable salaries, and member contributions would be increased from 6.0% to 7.0% of pensionable salaries. A small number of employers that have closed the scheme to new members are required to pay an additional employer contribution loading of 3.5% to reflect the higher costs of a closed arrangement. If the valuation assumptions are borne out in practice of contributions should be sufficient to eliminate the past service deficit, on an ongoing funding basis, by 30th September 2015.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the scheme. The debt is due in the event of the employer ceasing to participate in the scheme or the scheme winding up. The debt for the scheme as a whole is calculated by comparing the liabilities for the scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the scheme. If the liabilities exceed assets there is a buyout debt. The leaving employer’s share of the buyout debt is the proportion of the scheme’s liability attributable to employment with the leaving employer compared to the total amount of the scheme’s liabilities (relating to employment with all the currently participating employers). The leaving employer’s debt therefore includes a share of any ‘orphan’ liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total scheme liabilities, scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buyout market. The amounts of debt can therefore be volatile over time.

The Company understands that the scheme actuary will calculate potential employer debt figures, as at 30th September 2006, for each employer participating in the SFHA Pension Scheme as part of the next actuarial valuation process.

The total pension cost for the Company was £44,001 (2005 : £36,009) of which £5,598 (2005 : £4,057) was unpaid and is included in creditors.

20. Revenue Reserves

	2006	2005
	£	£
Balance at 01.04.05	2,930,235	2,466,982
Surplus for the year	626,568	863,253
Transfer to Designated Reserve	-	(400,000)
 Balance at 31.03.06	<u>3,556,803</u>	<u>2,930,235</u>

21. Related Parties

During the period five tenants of the Company acted as Trustees. In total they paid rent of £12,008 (2005 : £13,652), which is at arm’s length.

Ayrshire Housing was owed £158,852 (2005 - £139,024) by Ayrshire Initiatives Limited, a subsidiary.

During the year Ayrshire Housing was in receipt of management charges from Ayrshire Initiatives Limited in the sum of £24,276 (2005 - £Nil).

22. Financial Commitments

At 31st March 2006 the amounts due in future years under operating leases were as follows :-

Expiring within one year	5,384	6,116
Expiring between one and two years	5,384	4,040
Expiring between two and five years	14,484	3,271
	<u>25,253</u>	<u>13,427</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH, 2006/Cont...

23. Housing Stock	2006	2005
The number of units of accommodation in management at the period end was :-		
General Needs	1,031	991
Shared Ownership	<u>20</u>	<u>20</u>
	<u>1,051</u>	<u>1,011</u>

24. Annual Tenancy Rents	2006	2005
	£	£
Average annual tenancy rent for housing accommodation	<u>2,947</u>	<u>2,758</u>
Number of Units	<u>1,051</u>	<u>1,011</u>

25. Capital Commitments	2006	2005
	£	£
Expenditure authorised and contracted	<u>7,021,176</u>	<u>2,222,165</u>
Expenditure authorised by Board of Management not contracted	<u>3,282,677</u>	<u>6,914,561</u>

The Board of Management expect that expenditure they have authorised to be fully funded by Communities Scotland, Local Authorities, banks and building societies.

Expenditure not yet contracted, on a scheme by scheme basis, is subject to formal Trustee approval procedures.

26. Contingent Liabilities

At 31st March 2006, the Company had £Nil contingent liabilities (2005 - £Nil).

27. Group Structure

Ayrshire Housing is a housing company registered in Scotland and forms part of a group. The other member of which is Ayrshire Initiatives Limited, a company registered in Scotland. The main activities of this company are that of provider of housing and other social services to existing and emerging public sector voluntary and not for profit organisations.

Ayrshire Housing is considered to be the ultimate parent undertaking of the group. Separate group accounts are not prepared as the Trustees are of the opinion that the group is exempt from this requirement.

AYRSHIRE HOUSING

ALLOCATION OF MANAGEMENT EXPENSES

	Adjudication Cost £	Housing Management £	Day to Day Maintenance £	Development Admin. £	Environment Costs £	Cyclical £	Finance & Admin £	Total £	2005 £
Employee Costs									
Salaries and NIC	-	192,980	68,606	88,005	-	-	131,177	480,768	435,285
Pensions	-	23,833	8,473	11,275	-	-	15,794	59,375	47,413
Other Staff Costs	-	17,026	5,959	-	-	-	10,758	33,743	36,699
	<u>-</u>	<u>233,839</u>	<u>83,038</u>	<u>99,280</u>	<u>-</u>	<u>-</u>	<u>157,729</u>	<u>573,886</u>	<u>519,397</u>
Estate Costs									
Repairs & Maintenance	-	-	414,223	-	-	-	-	414,223	323,749
Cyclical Repairs & Maintenance	-	-	-	-	-	171,923	-	171,923	80,835
Tenant Participation	-	4,349	-	-	-	-	-	4,349	-11,119
Environmental Costs	-	-	-	-	66,653	-	-	66,653	44,316
Legal Fees	-	21,483	-	-	-	-	-	21,483	21,423
Service Costs	-	-	47,350	-	-	-	-	47,350	46,277
Depreciation – Housing Properties	-	330,000	-	-	-	-	-	330,000	327,615
	<u>-</u>	<u>355,832</u>	<u>461,573</u>	<u>-</u>	<u>66,653</u>	<u>171,923</u>	<u>-</u>	<u>1,055,981</u>	<u>833,096</u>
Office Overheads									
Rent, Rates and Insurance	-	15,280	-	-	-	-	28,009	43,289	23,412
Heating, Lighting and Cleaning	-	-	-	-	-	-	6,283	6,283	6,337
Committee Costs	-	-	-	-	-	-	-	-	1,340
Computer Training and Consultancy	-	-	-	-	-	-	27,951	27,951	19,206
Subscriptions and Affiliations	-	-	-	-	-	-	15,175	15,175	6,570
Consultancy Fees	-	-	-	-	3,999	10,315	4,876	19,190	11,163
Professional Fees	-	-	-	-	-	-	1,139	1,139	1,256
Postage, Stationery and Advertising	-	-	-	-	-	-	16,087	16,087	14,742
Telephone	-	-	-	-	-	-	7,727	7,727	9,360
Office Repairs and Equipment Maintenance	-	-	-	-	-	-	8,378	8,378	12,108
Depreciation - Office Furniture and Equipment	-	-	-	-	-	-	59,038	59,038	54,026
Bad Debts Written Off	-	91,096	-	-	-	-	799	91,895	27,368
Abortive Development Costs	-	-	-	-	-	-	12,975	12,975	13,402
Sundry Expenses	-	-	-	-	-	-	9,648	9,648	6,441
	<u>-</u>	<u>106,376</u>	<u>-</u>	<u>-</u>	<u>3,999</u>	<u>10,315</u>	<u>198,085</u>	<u>198,085</u>	<u>206,731</u>
c/fwd	-	696,047	544,611	99,280	70,652	182,238	355,814	1,948,642	1,559,224

AYRSHIRE HOUSING

ALLOCATION OF MANAGEMENT EXPENSES

	Adjudication Cost £	Housing Management £	Day to Day Maintenance £	Development Admin. £	Environment Costs £	Cyclical £	Finance & Admin £	Total £	2005 £
b/fwd	<u>-</u>	<u>696,047</u>	<u>544,611</u>	<u>99,280</u>	<u>70,652</u>	<u>182,238</u>	<u>355,814</u>	<u>1,948,642</u>	<u>1,559,224</u>
Other Costs									
Internal and External Audit Fees	-	-	-	-	-	-	10,146	10,146	5,787
Bank Charges	-	-	-	-	-	-	17,205	17,205	8,684
Adjudication Fees	1,253	-	-	-	-	-	-	1,253	1,685
	<u>1,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,351</u>	<u>28,604</u>	<u>16,156</u>
Total Costs	1,253	696,047	544,611	99,280	70,652	182,238	383,165	1,977,246	1,575,380
Allocation of Finance & Administration Costs	-	213,116	170,049	-	-	-	(383,165)	-	-
Total Expenditure 2005/06	<u>1,253</u>	<u>909,163</u>	<u>714,660</u>	<u>99,280</u>	<u>70,652</u>	<u>182,238</u>	<u>-</u>	<u>1,977,246</u>	<u>1,575,380</u>